

Message Text

SECRET

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ACTION PM-07

INFO OCT-01 EUR-25 ISO-00 IGA-02 AID-20 CIAE-00 INR-10

NSAE-00 RSC-01 L-03 TRSE-00 OMB-01 MC-02 DRC-01 /073 W

----- 024169

R 231145Z APR 74

FM AMEMBASSY ATHENS

TO SECSTATE WASHDC 3132

INFO SECDEF

USCINCEUR

S E C R E T ATHENS 2389

E.O. 11652: GDS

TAGS: MASS, GR

SUBJECT: FMS CREDIT ASSISTANCE FOR GREECE

REF: A. STATE 77920

B. CHJUSMAGG 281320Z MAR 74

C. USCINCEUR 031712Z APR 74

SECDEF FOR ASD: ISA AND DSAA

1. ASSUMPTION OF PARA 1 REF A IS CORRECT. GOG INTENTION IS TO UTILIZE ADDITIONAL \$10 MILLION OF FY 74 FMS CREDIT FOR F-4 PROCRUEMENT. THE \$50 MILLION OF FY 74 CREDIT PREVIOUSLY PROVIDED WILL BE WHOLLY EXPANDED BY OCT. 1, 1974 AT WHICH TIME THERE WILL BE A SHORTFALL OF APPROXIMATELY \$5 MILLION WITH ANOTHER INSTALLMENT OF APPROXIMATELY \$4.5 MILLION DUE JANUARY 1, 1975 RESULTING IN A TOTAL PROJECTED CY74 SHORTFAL OF \$9.5 MILLION. UNLESS FY75 CREDITS ARE PROVIDED BY OCTOBER 1 -- EITHER BY LEGISLATION OR CONTINUING RESOLUTION -- GOG WILL FACE UNPLEASANT TASK OF REPROGRAMMING ITS VERY TIGHT FY 74 BUDGET NEAR D OF GREEK FISCAL YEAR TO PROVIDE ADDITIONAL \$10 MILLION. WHILE REPROGRAMMING DRACHMA COULD BE ACHIEVED, GOG WOULD FIND IT ESPECIALLY DIFFICULT TO COME UP WITH \$10 MILLION IN FOREIGN EXCHANGE WITHOUT ADDITIONAL BORROWING ABROAD DURING A PERIOD WHEN GREECE IS EXPECTED TO HAVE A HEAVIER THAN USUAL CURRENT ACCOUNT DEFICIT IN ITS

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BALANCE OF PAYMENTS.

2. EMBASSY BELIEVES THAT RELIANCE ON FY75 FMS CREDIT IS IMPROUDENT. IN THESE CIRCUMSTANCES IT APPEARS TO US THAT USG HAS OPPORTUNITY TO MAKE SIGNIFICANT GESTURE OF GOOD INTENT BY GRANTING ADDITIONAL FY74 CREDITS.

3. JUSMAGG HAS LEARNED THAT A GOG DECISION ON MAJOR AIRCRAFT MODERNIZATION PROCUREMENTS CAN BE EXPECTED SHORTLY. IT APPEARS NOW THAT A-7, C-130 AND T-2D PROCUREMENTS (EST COST \$225 MILLION) WILL BE AUTHORIZED FOR CY74 WITH POSSIBLY RF-4E'S AT A FUTURE DATE. MAJOR IMPEDIMENT AT THIS TIME IS FINANCING. JUSMAGG HAS BEEN TOLD THAT DECISION TO PURCHASE THESE AIRCRAFT IS ESSENTIALLY FINAL, PROVIDED FINANCING IS SATISFACTORILY RESOLVED. IF NOT, THERE ARE INDICATIONS THAT GOG MAY DECIDE TO EXPLOIT OTHER SOURCES OF SUPPLY. FOR EXAMPLE, WE UNDERSTAND THAT FRANCE HAS MADE VERY ATTRACTIVE OFFER OF ESSENTIALLY UNLIMITED CREDIT AT 6-1/2 TO 7 PERCENT INTEREST, INCLUDING BARTER ARRANGEMENTS.

4. MODERNIZATION IS URGENTLY REQUIRED. WITH LONG LEAD TIMES FOR AIRCRAFT PROCUREMENT, CURRENT INVENTORY OF F-84'S, C-47'S AND NORATLAS WILL BE OBSOLETE BY TIME OF DELIVERY OF NEW AIRCRAFT IF PROCUREMENT STARTS NOW. DELAY WILL ONLY FURTHER WEAKEN COMMON DEFENSE POSTURE.

5. WE BELIEVE ADDITIONAL FY74 FMS CREDIT WILL BE INTERPRETED BY GOG AS SIGNIFICANT GESTURE. IT WILL ALSO CLEAR WAY FOR A MAJOR MODERNIZATION PROGRAM WHICH COULD RESULT IN CONSIDERABLE ECONOMIC AND STRATEGIC ADVANTAGES TO U.S. THEREFORE, WE RECOMMEND THAT EVERY EFFORT BE MADE TO PROVIDE ADDITIONAL \$10 MILLION OF FY74 FMS CREDIT.
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